

Payday Loans Drain Community Resources: Borrowers Do Not Recommend Them to Others in Need

In the fall of 2011, four Kentucky social service agencies surveyed clients about payday loan use. They found that among their service recipients:

Of those who had used payday loans, 46.3% said they were trying to pay back a payday loan at the time they completed the survey.

76.0% of those social service clients who had used payday loans said they had trouble paying back a payday loan.

47.2% of payday loan users reported having to borrow from one payday lender to pay back a different payday lender.

The majority of borrowers (55.4%) reported that it took more than one month to be able to repay their payday loan without having to taking out a new loan. For a significant portion of borrowers (29.7%), they were stuck in this cycle for four months or longer.

A clear majority of borrowers (67.2%) said that it was difficult to cover their other bills when they had a payday loan.

59.2% reported that they were encouraged by a payday lender to borrow more than they originally intended.

67.3% of respondents who had used payday loans said that taking out their first payday loan hurt them rather than helped them.

85.2% of respondents who had ever used a payday loan said they would not recommend taking out a payday loan to another person in their situation.